

Message Text

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ACTION EUR-25

INFO OCT-01 AF-10 IO-15 ISO-00 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SPC-03 STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 SS-15

NSC-10 L-03 PA-03 PRS-01 USIA-15 INT-08 SCEM-02 AGR-20

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5826

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN BY POUCH

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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AMEMBASSY THE HAGUE

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E. O. 11652: NA

TAGS: AG, EEC, ETRD

SUBJ: EC-ALGERIA TRADE AGREEMENT

REF: EC BRUSSELS 4485 (NOTAL)

1. SUMMARY. AN INITIAL ROUND OF NEGOTIATIONS FOR
A TRADE AGREEMENT BETWEEN THE EC AND ALGERIAN HAS
BEEN COMPLETED. THE COMMISSION WILL NOW REPORT
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BACK TO THE EC COUNCIL PRIOR TO ANY FURTHER ROUND.

THE EC OFFERED THE ALGERIANS ARRANGEMENTS SIMILAR TO THOSE PREVIOUSLY DISCUSSED WITH MOROCCO AND TUNISIA (SEE REFTEL). SPECIAL EMPHASIS WAS PLACED ON THE PETROLEUM AND WINE SECTORS. THERE WAS NO DISCUSSION OF RECIPROCAL CONCESSIONS FROM ALGERIA. END SUMMARY.

2. THE EC COMMISSION AND AN ALGERIAN DELEGATION ON SEPTEMBER 20-21 COMPLETED A FIRST ROUND OF NEGOTIATIONS INTENDED TO LEAD TO A TRADE AGREEMENT BETWEEN THE COMMUNITY AND ALGERIA. (UNTIL NOW ALGERIA'S TRADING ARRANGEMENTS WITH EC MEMBER STATES HAVE BEEN ON A BILATERAL BASIS.)

3. THE INITIAL SESSIONS WERE USED BY THE EC COMMISSION TO LAY OUT THE COMMUNITY POSITION AND OBTAIN ALGERIAN REACTIONS. THE EC POSITION WAS SIMILAR TO THE ONE TABLED DURING THE OPENING DISCUSSIONS WITH THE OTHER MAHGREB COUNTRIES (SEE REFTEL). ALGERIAN WAS OFFERED WHAT IS BASICALLY AN OPEN-ENDED TRADE AGREEMENT (THE PROTOCOLS COVERING ECONOMIC AND FINANCIAL COOPERATION HOWEVER WOULD BE LIMITED TO FIVE YEARS). SUCH AN AGREEMENT WOULD INCLUDE:

- DUTY-FREE ACCESS FOR ALGERIAN INDUSTRIAL PRODUCTS. (REFINED PETROLEUM PRODUCTS ARE AN IMPORTANT EXCEPTION. FOR THESE, THE COMMUNITY HAS PROPOSED A DUTY-FREE IMPORT QUOTA FOR 500.000 TONS WHICH WOULD BE INCREASED BY 5 PERCENT PER YEAR UNTIL 1980.)

- MORE LIMITED CONCESSIONS IN THE AGRICULTURAL SECTOR ON FRESH FRUITS AND VEGETABLES, ON SOME PROCESSED AGRICULTURAL PRODUCTS, AND ON WINE. (FOR WINE, THE EC OFFERED A 75 PERCENT REDUCTION IN THE CXT WITH THE UNDERSTANDING THAT ALGERIAN WINE WOULD BE SUBJECT TO THE EC REFERENCE PRICE AND WOULD NOT BE BLENDED WITH COMMUNITY WINE.)

- A PROGRAM OF ECONOMIC AND COMMERCIAL COOPERATION INVOLVING SALES PROMOTION OF ALGERIAN PRODUCTS IN THE EC, ENVIRONMENTAL PROTECTION (PRIMARILY THE MEDITERRANEAN SEA) AND THE ENCOURAGEMENT OF PRIVATE LIMITED OFFICIAL USE

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INVESTMENT IN ALGERIA.

- FINANCIAL COOPERATION THAT COULD INCLUDE MARKET RATE LOANS FROM THE EUROPEAN INVESTMENT BANK, OTHER LOANS AT SUBSIDIZED INTEREST RATES AND PERHAPS SOME OUTRIGHT GRANT AID.

- ADDITIONAL BENEFITS TO ALGERIAN WORKERS IN THE EC INCLUDING NONDISCRIMINATORY TREATMENT ON PAY AND SOCIAL SECURITY BENEFITS, PAYMENT OF FAMILY ALLOWANCES

TO WORKERS WHOSE FAMILIES ARE RESIDENT IN THE COMMUNITY,
AND CUMULATION OF SOCIAL SECURITY BENEFITS EARNED IN
MORE THAN ONE MEMBER STATE.

4. THE MOST DIFFICULT NEGOTIATING POINTS TO EMERGE
SO FAR CONCERN THE PROPOSED TREATMENT FOR PETROLEUM
PRODUCTS AND WINE. THE ALGERIANS STATED THAT THEY
SEEK A COOPERATION AGREEMENT WITH THE COMMUNITY AS
PART OF THEIR EFFORTS TO DEVELOP THEIR SOCIETY AS A
WHOLE AND INTEND TO USE THEIR HYDROCARBON RESOURCES
TO THIS END. THEY INDICATED THEIR WILLINGNESS TO
REACH RECIPROCAL ARRANGEMENTS ON PETROLEUM WITH THE
COMMUNITY THAT WOULD INCLUDE LONG-TERM SUPPLIES OF
CRUDE IN EXCHANGE FOR FOREIGN INVESTMENT AND ASSISTANCE
IN THE DEVELOPMENT OF PETROLEUM RESOURCES AND RELATED
INDUSTRIES SUCH AS PETROCHEMICALS. THEY INSISTED,
HOWEVER, THAT SONATRACH MUST HAVE A MAJORITY INTEREST
IN ALL SUCH VENTURES. (AN ALGERIAN SOURCE TELLS
US THAT THIS WAS NOT MEANT TO BE AN EXCLUSIVE OFFER
AND THE ALGERIAN WAS PREPARED TO SONDIER SIMILAR
ARRANGEMENTS WITH OTHER COUNTRIES.)

5. THE ALGERIANS FOUND THE EC OFFER OF AN INITIAL
500,000-TON QUOTA ON PETROLEUM PRODUCTS UNSATISFACTORY.
ALTHOUGH FOR THE NEXT TWO YEARS A QUOTA IN THIS RANGE
WOULD BE SUFFICIENT, THE RAPID EXPANSION OF
REFINING CAPACITY ANTICIPATED BY THE END OF THIS
DECADE WOULD REQUIRE A MUCH HIGHER GROWTH FACTOR
THAN THE 5 PERCENT PROPOSED BY THE EC. IN RESPONSE,
THE COMMISSION STATED THAT THE QUOTA BEING OFFERED
TO ALGERIAN WOULD BE MANAGED IN A FLEXIBLE WAY AND
ALGERIAN-REFINED PRODUCTS WOULD NOT AUTOMATICALLY BE
EXCLUDED WHEN THE QUOTA WAS FILLED. SUCH A CUT OFF
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COULD COME ONLY ON THE BASIS OF EC COUNCIL ACTION
AFTER EXAMINATION OF COMMUNITY REQUIREMENTS FOR
REFINED PRODUCTS.

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6. ON WINE, THE ALGERIANS INSIST THAT THEIR PRIME
NEED IS TIME TO CONVERT MUCH OF THE PRESENT VINEYARD
AREA TO FRUITS AND VEGETABLES AND TO IMPROVE WINE
QUALITY. DURING THE PERIOD REQUIRED TO RESTRUCTURE
THE INDUSTRY THE ALGERIANS ASKED THAT (A) THE COM-
MUNITY IMPORT ALGERIAN WINE FOR BLENDING PURPOSES AND
(B) THAT NORMAL EC REFERENCE PRICE REQUIREMENTS FOR
ALGERIAN WINE IMPORTS BE SUSPENDED. DURING THIS
PERIOD THE ALGERIANS WOULD INITIALLY UNDERTAKE TO
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MEET THE COMMUNITY ORIENTATION PRICE FOR WINE -- A
PRICE BELOW THE NORMAL REFERENCE PRICE. OVER TIME
(PROBABLY ABOUT FIVE YEARS), THE DIFFERENCE BETWEEN
THE PRICE THE ALGERIANS WOULD HAVE TO MEET AND THE
EC REFERENCE PRICE WOULD GRADUALLY BE REDUCED AND
FINALLY ELIMINATED. (THIS PROPOSAL WAS EARLIER PUT

FORWARD BY THE COMMISSION AFTER EXPLORATORY TALKS WITH THE ALGERIANS BUT IT WAS REJECTED BY THE MEMBER STATES AT THE INSISTANCE OF THE FRENCH AND ITALIANS.)

7. THE ALGERIANS ALSO TOOK ADVANTAGE OF THEIR NEGOTIATION TO OBJECT STRENUOUSLY TO RECENT RACIST INCIDENTS IN SOUTHERN FRANCE WHICH HAVE INVOLVED ALGERIAN WORKERS. THEY DEMANDED FREE MOVEMENT FOR ALGERIAN WORKERS WITHIN THE COMMUNITY AND THAT THE COMMUNITY PAY FAMILY ALLOWANCES FOR MEMBERS OF WORKERS'FAMILIES WHO REMAIN IN ALGERIA. THEY ALSO SOUGHT IMPROVEMENT IN EC HOUSING ACCOMMODATIONS FOR ALGERIAN WORKERS AND PROPOSED THAT THE COMMUNITY SET UP TRAINING FACILITIES FOR PROSPECTIVE WORKERS IN ALGERIA ITSELF.

8. AS IN THE INITIAL EC NEGOTIATIONS WITH MOROCCO AND TUNISIA, THERE WAS NO DISCUSSION OF TRADE "RECIPROCITY". THE EC COUNCIL HAS YET TO REACH AGREEMENT ON THIS ISSUE EITHER WITH REGARD TO THE MAHGREB OR THE AFRICAN AND ASSOCIABLE COUNTRIES WITH WHOM THE COMMUNITY WILL OPEN NEGOTIATIONS LATER THIS MONTH. (AN ALGERIAN SOURCE REFUSE TO COMMIT HIMSELF ON RECIPROCITY IN A TALK WITH US.) THE ALGERIANS WILL PROBABLY HOLD BACK ON THIS POINT UNTIL THE COMMUNITY HAS ITSELF TAKEN A POSITION AND UNTIL THEY CAN GAUGE HOW FLEXIBLE THE COMMUNITY IS PREPARED TO BE ON PETROLEUM AND WINE.

9. AT THE END OF THE NEGOTIATING SESSION, THE COMMISSION INDICATED THAT IT WOULD REPORT BACK TO THE COUNCIL PRIOR TO ANY FURTHER NEGOTIATIONS WITH THE ALGERIANS. IT IS LIKELY THAT THIS REPORT WILL BE PREPARED AT THE SAME TIME AS REPORTS GO FORWARD LIMITED OFFICIAL USE

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TO THE COUNCIL ON THE STATUS OF NEGOTIATIONS WITH TUNISIA AND MOROCCO -PROBABLY IN MID-OCTOBER.
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